

GASB 34 DISCUSSION GROUP CONFERENCE CALL  
Thursday, December 19, 2002 1:00 p.m. – 3:00 p.m.  
TOPICS FOR DISCUSSION

Attendees:	Joan Anderson, OPI	Mike Duncan, DOA
	Jim Oberembt, OPI	Tom Hayes, DOA
	Denise Ulberg, OPI	Kim Smith, DOA
	Mike Waterman, OPI	Danelle Reisch, Whitefish School Clerk
	Don Davies, CPA (Ron Foltz firm)	Rick Reisig, CPA (Hamilton, Misfeldt)
	Susan Rose, CPA (Galusha, Higgins & Galusha)	
	Kim Dare, CPA (Galusha, Higgins & Galusha)	

I. GASB 34 Guidance

OPI uses:

ASBO Implementation Recommendations for School Districts, and

GASB Implementation Guides

AICPA guide (Sept. 2002) Audits of State and Local Govts (GASB 34) was also suggested.

II. CPA Independence

A. Who will prepare the MD&A?

Emphasized that **management is responsible for and must understand** the MD&A even if the auditor is helping to prepare it.

B. May the same firm prepare the GASB 34 statements and audit the statements, too?

Agreed that it will be no different than the current situation where auditor prepares financials and also audits them. However, the auditor must be careful not to totally construct statements; the auditee must understand them. Do clerks and trustees have the knowledge to understand the statements? General opinion was that OPI should do something to make sure the entity takes responsibility. It was noted that independence standards puts responsibility on the auditor to decide if the auditee knows enough to be responsible. Most exit conferences are typically conducted with the clerk and/or superintendent, not the trustees. Can OPI require an exit conference with the board of trustees? OPI can **urge** an exit conference with the trustees, but to require it would probably take a change in the standard audit contract or A.R.M.

III. Implementation Process – educating the clerks

A. OPI's role

1. Provide a plan and timeline of what they should be doing to prepare. See Joan's letter to districts dated (revised) May 6 at OPI's website <http://www.opi.state.mt.us/schoolfinance/gasb34.html>
2. OPI should reinforce with clerks that understanding the statements is important. Can also tell clerks if they educate themselves, they'll possibly save money on audit fees.

B. Auditor's role

1. Communicate with clients as to what services will be provided and what is expected of the school district.
2. MSCPA could be asked to write articles about exit conferences and other GASB 34 issues for MSBA newsletter. Concepts found in the "Elected Officials Guides" (tailored to Montana's laws) might be used for articles.

IV. Effects on OPI reports

A. TFS

1. GFAAG

Schedule of Changes in Fixed Assets (see S.A.M.) will be modified. Auditors do not need the Investment in GFA accounts or salvage value information. Regarding allocation of depreciation among functions, if it's not readily identifiable, report as unallocated.

2. GLTDAG

Schedule of Changes in Long-Term Debt (see S.A.M.) may be modified. GASB 34 requires a schedule of principal and interest, but not necessary on TFS.

3. It would help if district could provide auditors with full accrual entries:

- a. Encumbrances
- b. Compensated absences (current vs. long-debt and policy for how it was computed)
- c. Taxes receivable collected 60 days after year end moved from deferred revenue to revenue
- d. Capital outlay
- e. Short- and long-term debt
- f. Depreciation

This may be best reported on an excel spreadsheet rather than TFS – timing isn't good.

V. Revenue coding

- A. OPI has a recommendation for revenue classification on its website at <http://www.opi.state.mt.us/schoolfinance/gasb34.html>. Please review and comment.
- B. GTB for debt service – general or program revenue? Consensus is it's a general revenue.
- C. Prorating program revenues by function on the government-wide statement for special education, transportation, etc. – recommended to prorate if material; otherwise, report as instructional. It is important to be consistent.

VI. Major Fund issues

- A. Should similar funds (i.e., general, transportation, retirement, etc.) be added together (elementary and high school) before major funds are determined?
  1. OPI would prefer that districts keep non-general funds separate for major fund determination.
  2. Need to do more research. See if there are other states that separate budget units for elementary and high school.

We ran out of time on the following items:

Major Fund Issues

- B. Is it okay to reclassify small or immaterial enterprise or internal service funds as special revenue funds? Examples?
- C. Can an oversight agency like OPI require certain funds to be reported as major (e.g. Transportation)?
  1. MSCPA Committee consensus was no. This is a management decision. Any additional regulatory requirements should be addressed thru other means.
  2. OPI won't mandate major funds; determination will be up to auditor and district management.
- D. OPI's intent is to classify the Student Activity Fund as a Private Purpose Trust Fund.

VII. Depreciation

- A. Should OPI provide a template to keep track of depreciation of fixed assets?
- B. Allocation methods
- C. Option to report as unallocated